

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

INVESTMENT COMMITTEE

October 17, 2005

Chief Investment Officer's

Consolidated Investment Activity Report

(August 2005 Reporting Period)

Market Environment – August 31, 2005

General Market Commentary

Equity markets fell in the United States but rose outside it as commodity prices staged a sharp increase. The price of crude oil rose to \$69 per barrel, a 14% increase in the month. The Goldman Sachs Commodity Index rose 16%. In the U.S., consumer, producer, and import prices rose.

Domestic and International Equities

U.S. equity markets took a breather after three consecutive months of gains. The broad-market Russell 3000 Index fell by -1.0%, led in its decline by small-cap securities (Russell 2000: -1.9%). Large-cap value securities held value better than their growth counterparts did, but small-cap value securities declined further than did small-cap growth. Non-U.S. equity investments were aided by a declining dollar. Non-U.S. Developed markets rose by 2.6% (MSCI EAFE) and the emerging markets rose by 0.9% (MSCI EMF), both in dollar terms.

Domestic and International Fixed Income

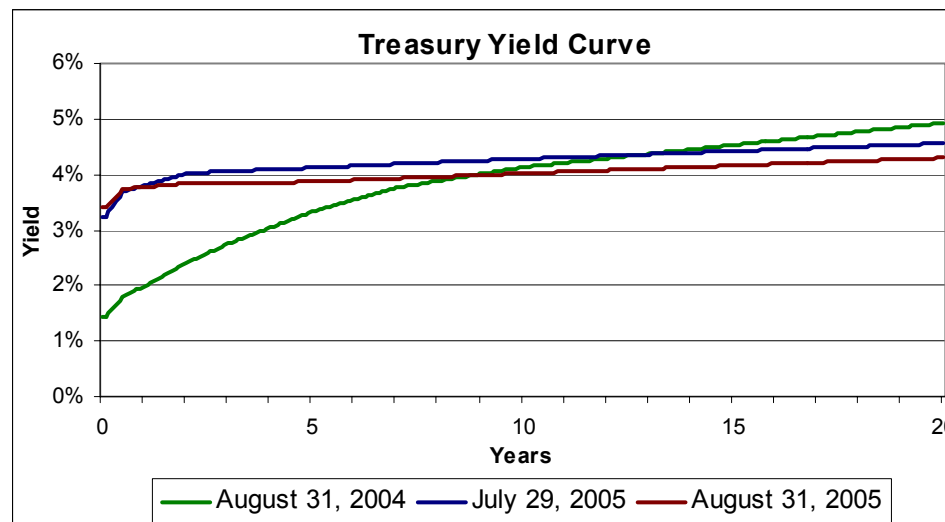
Fixed income rose in all U.S. sectors and internationally as well. In the U.S., the market was led by long-term Treasuries, up 3.0% (LB Gov't Long), followed by Treasury Inflation-Protected Securities, which rose 2.3% (LB US TIPS). Non-U.S. sovereign debt returned 1.9% in U.S. dollar terms (Citi WGBI ex US).

Real Estate

Real estate, as measured by the NAREIT Equity Index, declined -3.7% in August 2005. The NCREIF Index of Real Estate Properties returned 5.3% in the quarter ended June 2005.

Private Equity, Absolute Return Strategies

The Venture Economics All Private Equity Index returned 14.0% for the 12 months ended March 2005 and 12.5% for the 10 years ended March 2005. Absolute Return funds (CSFB/Tremont Hedge Fund Index) returned 0.9% in August 2005 and 11.2% in the 12 months ended August 2005.



MARKET INDICATORS	8/31/2004	Direction	7/29/2005	Direction	8/31/2005
1m LIBOR (fixed in \$)	1.67%	▲	3.52%	▲	3.70%
Federal Funds	1.50%	▲	3.25%	▲	3.50%
10Y Treasury Note Yield	4.13%	▲	4.29%	▼	4.02%
30Y Treasury Bond Yield	4.94%	▼	4.47%	▼	4.26%
DJ-Wilshire 5000 Comp	10,735.50	▲	12,333.31	▼	12,199.09
S&P 500	1,104.24	▲	1,234.18	▼	1,220.33
NASDAQ Composite	1,838.10	▲	2,184.83	▼	2,152.09
FTSE 100 Index	4,459.30	▲	5,282.30	▲	5,296.90
Nikkei 225 Index	11,081.79	▲	11,899.60	▲	12,413.60
Yen/\$ (Dollar Strength)	109.000	▲	112.250	▼	110.840
Euro/\$ (Dollar Strength)	0.821	▲	0.824	▼	0.811
GBP/\$ (Dollar Strength)	0.555	▲	0.568	▼	0.555
Crude Oil per Barrel	\$ 42.12	▲	\$ 60.57	▲	\$ 68.94
Gold (\$/oz Daily Spot)	\$ 407.25	▲	\$ 429.00	▲	\$ 433.25
GS Commodities Index	\$ 295.59	▲	\$ 402.61	▲	\$ 468.79

CalPERS Asset Allocation – August 31, 2005

Summary

- Total Fund Market Value was \$196.0 Billion
- Total Fund Book Value was \$150.2 Billion
- All Asset Classes are within their permissible ranges relative to target ranges and strategic target levels.

Book to Market Value Comparison

	Book Value (\$ Billion)	Market Value (\$ Billion)	Difference (\$ Billion)
Total Cash Equivalents	\$1.2	\$1.2	\$0.0
Total Global Fixed Income	\$49.6	\$51.3	\$1.7
Domestic Equities ¹	\$46.0	\$78.3	\$32.3
International Equities	\$34.3	\$44.7	\$10.4
AIM Direct/Partnerships	\$11.3	\$9.4	\$-1.9
Total Global Equities	\$91.7	\$132.4	\$40.8
Total Real Estate	\$7.8	\$11.1	\$3.3
Total Equities and Real Estate	\$99.5	\$143.5	\$44.0
Total Fund	\$150.2	\$196.0	\$45.8

¹ Included is LM Capital Investment: Total Book Value=**\$179.7M**, Total Market Value=**\$181.2M**.

* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 8/31/2005

Company Name	Equity Exposure				Fixed Income Exposure					Real Estate		
	Internally Managed		Externally Managed		Total Equity	Total FI				Exposure (1)	TOTAL	% of Total
	Active	Passive	Active	Passive	Market Value	Internal	External	Sec. Lending(2)	Market Value		Market Value	Fund(3)
GENERAL ELECTRIC	223,847,305	1,339,079,537	165,666,379		1,728,593,221	49,436,826	57,596,394	700,444,174	807,477,394		2,536,070,615	0.97%
EXXON MOBIL CORP	187,178,275	1,460,008,590	213,286,050		1,860,472,915				0		1,860,472,915	0.98%
MICROSOFT CORP	232,634,439	1,118,958,460	153,973,040		1,505,565,939				0		1,505,565,939	0.80%
CITIGROUP	131,940,857	853,449,345	167,779,164		1,153,169,366	84,128,014	24,920,031	150,000,000	259,048,045		1,412,217,411	0.67%
WAL MART STORES INC	158,119,824	723,343,456	63,775,532		945,238,812	17,664,852	1,170,819		18,835,671		964,074,483	0.51%
PFIZER INC	139,226,839	719,219,313	90,172,460		948,618,612	5,845,497			5,845,497		954,464,109	0.51%
HSBC HOLDINGS		90,682,231	28,806,734	428,833,847	548,322,812	159,169,145	17,840,264	202,535,506	379,544,915		927,867,727	0.38%
JOHNSON + JOHNSON	118,600,915	703,527,576	99,065,892		921,194,383				0		921,194,383	0.49%
BANK OF AMERICA	101,668,358	656,031,077	101,332,466		859,031,901	46,343,886	13,357,150		59,701,036		918,732,937	0.49%
CHEVRONTXACO CORP	114,368,015	526,812,026	127,195,091		768,375,132	125,400,893	18,406,888		143,807,781		912,182,913	0.48%
INTEL CORP	104,973,145	620,001,176	88,005,378		812,979,699				0		812,979,699	0.43%
JPMORGAN CHASE & CO	66,185,442	456,889,015	54,745,906		577,820,363	13,978,240	11,738,031	207,889,910	233,606,181	8,828,590	820,255,134	0.32%
ROYAL DUTCH SHELL		114,284,370	114,874,732	542,637,671	771,796,773				0		771,796,773	0.41%
AMERICAN INTL GROUP INC	93,430,506	574,766,880	54,268,640		722,466,026	9,625,237	4,546,577		14,171,814		736,637,840	0.39%
BRITISH PETROLEUM		119,900,449	42,889,380	573,714,115	736,503,944				0		736,503,944	0.39%
INTERNATIONAL BUSINESS I	96,332,032	516,354,976	43,505,777		656,192,785	8,977,329		60,012,156	68,989,485		725,182,270	0.35%
BERKSHIRE HATHAWAY	96,245,058	455,845,254	21,876,250		573,966,562			149,873,685	149,873,685		723,840,247	0.30%
VERIZON	53,012,443	335,584,974	37,659,023		426,256,440	272,734,701	8,075,656		280,810,357		707,066,797	0.37%
PROCTER + GAMBLE CO	87,857,018	532,829,920	62,104,312		682,791,250	5,166,579			5,166,579		687,957,829	0.36%
VODAFONE GROUP		86,925,425	148,839,072	413,172,340	648,936,837	38,821,605			38,821,605		687,758,442	0.36%

(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

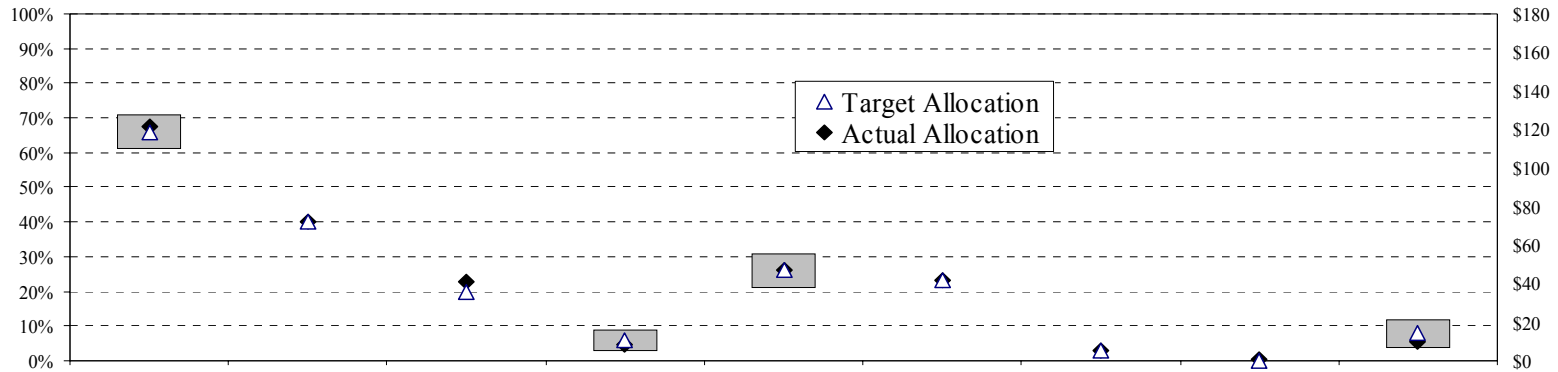
(2) Does not include Repos

(3) Excludes securities lending exposure

CalPERS

Asset Allocation as of August 31, 2005

Total Fund Market Value: **\$195,951,294,581**



	Total Equity	Domestic Equity	Non-U.S. Equity	Private Equity	Global Fixed	Domestic Fixed	Non-U.S. Fixed	Cash ²	Real Estate	Total Fund
Target Range	61-71%	N/A	N/A	3-9%	21-31%	N/A	N/A	N/A	4-12%	N/A
Strategic %	66.0%	40.0%	20.0%	6.0%	26.0%	23.0%	3.0%	0.0%	8.0%	N/A
Actual %	67.6%	40.0%	22.8%	4.8%	26.2%	23.3%	2.9%	0.6%	5.6%	N/A
Variance %	1.6%	(0.0%)	2.8%	(1.2%)	0.2%	0.3%	(0.1%)	0.6%	(2.4%)	N/A
Strategic \$ ³	\$129.3	\$78.4	\$39.2	\$11.8	\$50.9	\$45.1	\$5.9	\$0.0	\$15.7	N/A
Actual \$ ^{3 4}	\$132.4	\$78.3	\$44.7	\$9.4	\$51.3	\$45.7	\$5.6	\$1.2	\$11.1	N/A
Variance \$ ³	\$3.1	(\$0.1)	\$5.5	(\$2.3)	\$0.3	\$0.6	(\$0.3)	\$1.2	(\$4.6)	N/A
% Passive	69.1%	82.9%	59.6%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	47.0%
% Active	30.9%	17.1%	40.4%	100.0%	100.0%	100.0%	100.0%	100.0%	96.0%	53.0%
% Internal ¹	53.1%	82.9%	12.0%	0.0%	87.8%	98.6%	0.0%	47.4%	4.0%	59.4%
% External ¹	46.9%	17.1%	88.0%	100.0%	12.2%	1.4%	100.0%	52.6%	96.0%	40.6%

Net asset values include accurate accounting on int'l fixed income, domestic fixed income mortgage, and Credit Suisse currency overlay portfolios. Does not reflect gain/loss on monthly-priced portfolios.

¹ For cash percentage only, average over previous 6 months.

² Cash includes SMIF at STO and cash equivalents held in internal portfolios.

³ (\$ Billion)

⁴ Based upon Trade Date Accounting as recommended by CFA Institute GIPS Standards.

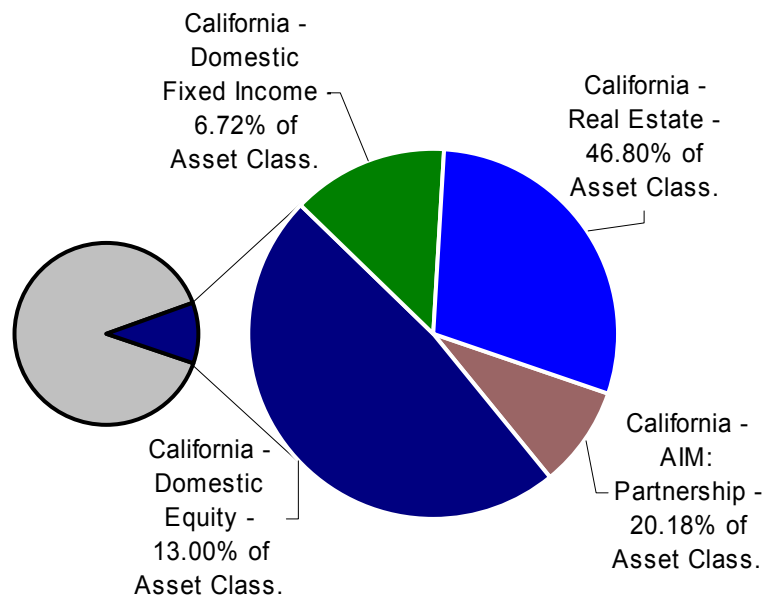
Private Equity Asset Allocation as of 08/31/2005			
Funded	\$(in Billions)	% Allocation	Target Range
Current Market Value	\$9.42	4.8%	
Unfunded Commitment	\$8.50	4.3%	
Current Market Value plus Unfunded Commitment	\$17.92	9.1%	3-9%

CalPERS Investments in the State of California – August 31, 2005

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

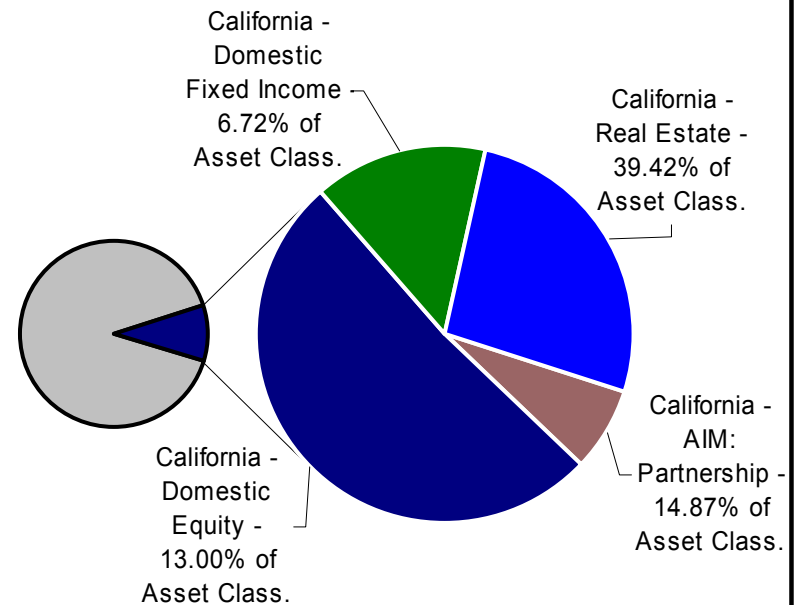
California Commitments (includes unfunded investments)

Current California Commitments at 8/31/2005 Total Fund %: 10.81%



California Investments

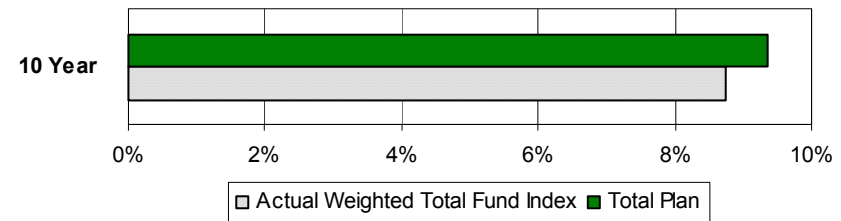
Current California Investments at 8/31/2005 Total Fund %: 10.06%



Performance Summary – August 31, 2005

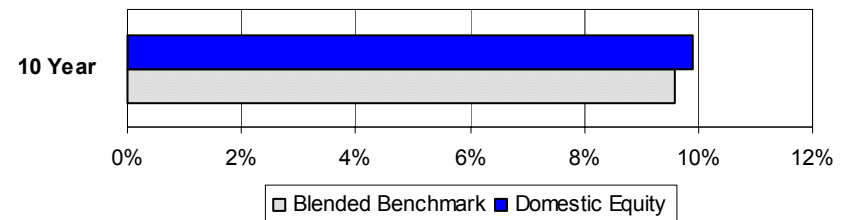
Total Plan:

Net Total Fund returns have exceeded the Policy Index in all periods shown. Ten-year net returns were 9.35% versus 8.65% for the policy index.



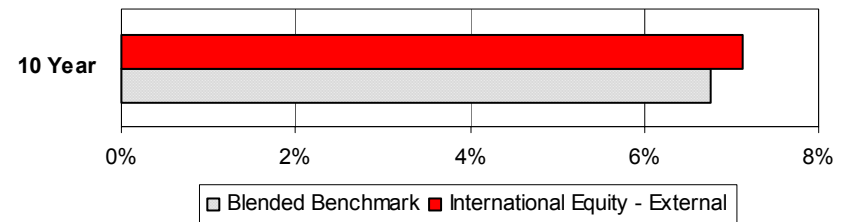
Domestic Equity:

Net Domestic Equity returns have exceeded the Policy Index in all but the 1-year period. Ten-year net returns were 9.89% versus 9.60% for the blended benchmark.



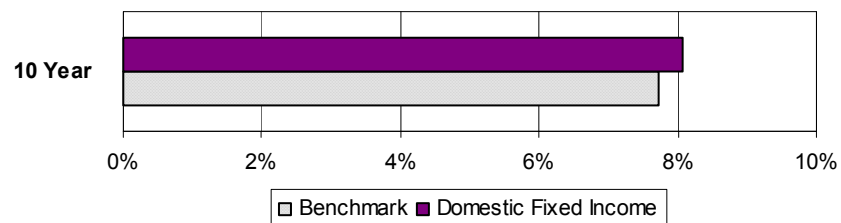
International Equity:

Net International Equity (External) returns including the currency overlay (which has hindered medium-term returns) generally outperformed all but medium-term blended benchmark returns. Despite observed medium-term underperformance, ten-year net returns were 6.81% (7.12% without currency overlay) versus 6.76% for the blended benchmark. The Internal portfolio had a one-quarter return of 7.90% (exceeding its benchmark of 7.84%)



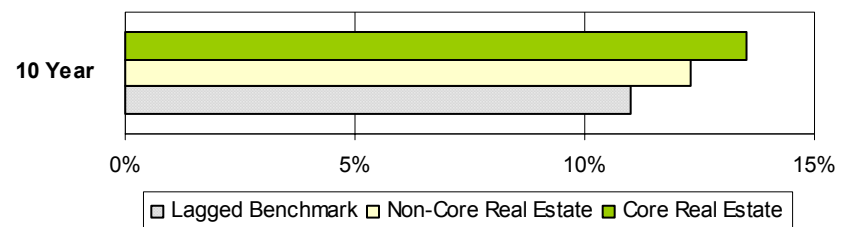
Domestic Fixed Income:

Net Domestic Fixed Income returns have exceeded or matched the benchmark in all periods shown except the month of August and calendar year to date. Ten-year net returns were 8.06% versus 7.73% for the benchmark.



Real Estate:

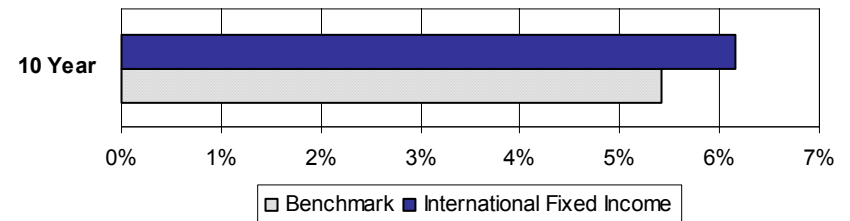
Net returns to the Core Portfolio have exceeded the lagged benchmark in all periods shown. Non-core portfolio returns have exceeded the benchmark in all periods shown. Ten-year net returns were 13.53% for the Core Real Estate portfolio and 12.30% for Non-Core Real Estate versus 11.02% for the lagged benchmark.



Performance Summary – August 31, 2005

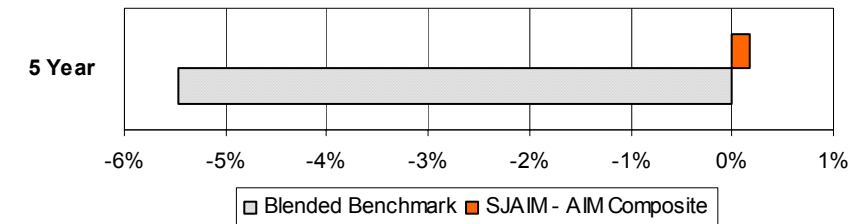
International Fixed Income:

Net International Fixed Income returns have exceeded the benchmark in all periods shown except for one-month and fiscal-year-to-date. Ten-year net returns were 6.15% versus 5.41% for the benchmark.



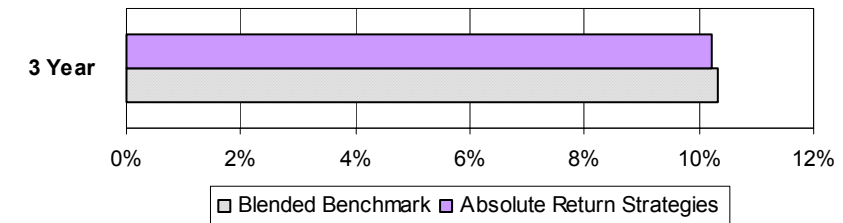
Alternative Investments:

Net returns for the Alternative Investments portfolio have exceeded the blended benchmark in all periods shown except for one month, one quarter, and the fiscal year to date. Five-year net returns are shown for the AIM Composite, which includes distributed stock (0.18% vs. -5.46%). Ten-year net returns for the AIM Partnership & Direct Composite exceeded the benchmark (12.66% vs. 7.72%).



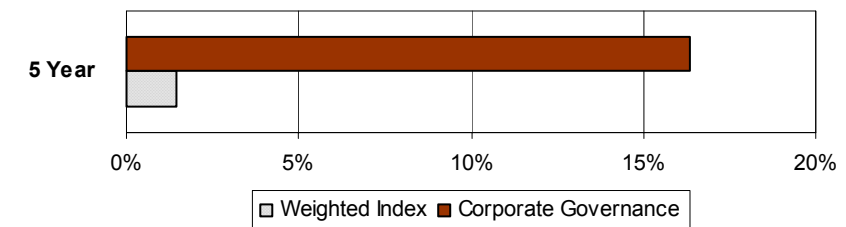
Absolute Return Strategies:

Net Absolute Return Strategies returns have outperformed all but the three-year period shown. Three-year net returns were 10.23% versus 10.33% for the blended benchmark.



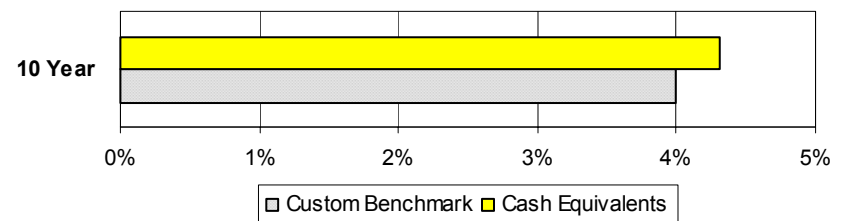
Corporate Governance:

Net returns to Corporate Governance Investments have exceeded the Weighted Index in all long-term periods shown. Five-year net returns were 16.35% versus 1.43% for the weighted index.



Cash Equivalents:

Net returns for the Cash Equivalents portfolio have exceeded the benchmark in all periods shown except for one-month, one-quarter, and fiscal-year-to-date. Ten-year net returns were 4.32% versus 4.00% for the benchmark.



CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CIO REPORT
GROSS RATES OF RETURN
Period Ending August 31, 2005
Investment Committee Meeting October 2005

	MKT VAL (000'S)	One Month Aug 05	QTR Jun - Aug 05	FYTD 05-06	CYTD 2005	1 Year	3 Years	5 Years	10 Years
TOTAL PLAN									
SJ1CA1 TOTAL FUND	195,951,295	0.75	4.67	3.06	6.28	17.16	13.74	3.61	9.49
CALPERS POLICY INDEX		0.79	4.07	2.99	5.14	15.27	12.61	2.83	8.65
ACTUAL WEIGHTED TOTAL FUND INDEX		0.68	4.01	2.80	4.66	15.33	12.71	2.79	8.75
GLOBAL EQUITY									
DOMESTIC									
SH8CA1 TOT DOME EQ+IND HG+ENV EX VENT, HDG, CG	75,313,864	-0.88	3.98	3.16	3.06	15.06	13.60	-1.67	9.91
WILSHIRE 2500 EX TOBACCO (BLENDED)		-0.96	3.86	3.06	3.03	15.06	13.52	-2.12	9.60
INTERNATIONAL - EXTERNAL									
SHBCA1 INTL TOT EXT EQ+MDP+IND HG, EX OVLY EX VT	37,261,602	2.54	8.43	6.51	6.86	27.62	19.84	2.30	6.85
SHBKA1 INTL TOT EXT EQ+MDP+IND HG+OVLY EX VT	37,464,881	2.17	8.61	6.25	8.51	27.58	18.44	1.56	7.17
CALPERS FTSE A-WX US/SSGA BLEND		2.37	8.18	6.21	6.25	26.79	20.00	2.35	6.76
INTERNATIONAL - INTERNAL									
SWB3 INTERNAL INTERNATIONAL EQUITY INDEX	5,413,660	2.68	7.90	6.12					
CALPERS FTSE DEV WORLD EX US & TOBACCO		2.65	7.84	6.08					
HEDGE FUND INVESTMENTS									
SNLCA1 TOTAL ARS PROGRAM COMPOSITE	1,233,782	0.98	5.36	3.40	6.51	14.81	10.69		
TOTAL ARS PROGRAM BLENDED INDEX		0.85	1.83	1.25	4.80	6.66	10.33		
CORPORATE GOVERNANCE									
SWMKA1 CORPORATE GOVERNANCE	3,392,982	3.19	7.12	2.93	12.06	32.37	24.81	16.89	
CALPERS TOTAL CORP GOV WEIGHTED INDEX		1.55	6.51	4.96	5.70	18.30	16.38	1.43	
MDP DOM FIXED INCOME-INVESTMENTS									
SN1KA1 MDP DOM FIXED INCOME-INVESTMENTS	181,205	1.26	0.89	0.46	2.00	4.22	6.98		
CITIGROUP BROAD INVESTMENT GRADE		1.28	0.96	0.39	3.00	4.30	4.99	7.04	6.79
GLOBAL FIXED INCOME									
DOMESTIC									
SJDKA1 TOTAL DOM FIXED	45,659,825	1.75	1.57	0.65	4.68	7.42	8.85	8.87	8.06
CALPERS CUSTOM LEH LPF		1.89	1.38	0.43	4.81	7.24	6.95	8.56	7.73
INTERNATIONAL									
SJDCA1 TOTAL INTERNATIONAL FIXED INCOME	5,622,010	1.76	-0.27	0.87	-4.27	7.62	11.26	9.41	6.22
CALPERS WORLD GOVT EX US		1.76	-0.33	0.91	-4.70	7.11	10.53	9.07	5.41
CASH EQUIVALENTS									
SJVKA1 TOTAL CASH	1,159,487	0.29	0.81	0.56	1.91	2.56	1.78	2.82	4.32
CALPERS CUSTOM STIF NET OF FEES		0.30	0.82	0.57	1.87	2.43	1.58	2.49	4.00
ALTERNATIVE INVESTMENTS									
SJXKA1 AIM: PARTNERSHIP & DIRECT INVESTMENTS	9,321,311	2.36	1.93	1.93	16.56	20.61	9.07	0.53	12.66
SJAIM AIM COMPOSITE	9,415,403	2.37	2.14	2.06	16.41	21.36	9.26	0.19	
PERS WILSHIRE 2500/CYFU BLEND		1.27	3.87	2.56	10.64	15.64	5.49	-5.46	7.72
SW2V AIM DISTRIBUTION STOCK	94,092	2.07	15.37	9.29	10.78	45.66	26.63	-13.47	
REAL ESTATE									
SW3CA1 CORE REAL ESTATE	7,282,496	-0.07	14.22	0.08	27.67	38.43	18.05	17.04	14.97
SW7KA1 TOTAL NON-CORE REAL ESTATE	3,779,124	-0.48	5.14	0.73	22.82	35.99	23.00	15.14	14.83
NCREIF PROPERTY 1 QTR LAG INDEX		0.00	3.51	0.00	8.33	15.55	10.74	10.15	11.02

⁽¹⁾ SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank. Excludes MDP venture accounts in composites SW9C, SWDC.
Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.

This report prepared by State Street Bank

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CIO REPORT
NET RATES OF RETURN
Period Ending August 31, 2005
Investment Committee Meeting October 2005

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TOTAL ARS PROGRAM BLENDED INDEX		0.85	1.83	1.25	4.80	6.66	10.33		
CORPORATE GOVERNANCE									
SWMKA1 CORPORATE GOVERNANCE	3,392,982	3.19	7.12	2.92	11.83	31.93	24.14	16.35	
CALPERS TOTAL CORP GOV WEIGHTED INDEX		1.55	6.51	4.96	5.70	18.30	16.38	1.43	
MDP DOM FIXED INCOME-INVESTMENTS									
SN1KA1 MDP DOM FIXED INCOME-INVESTMENTS	181,205	1.22	0.82	0.42	1.89	4.03	6.75		
CITIGROUP BROAD INVESTMENT GRADE		1.28	0.96	0.39	3.00	4.30	4.99	7.04	6.79
GLOBAL FIXED INCOME									
DOMESTIC									
SJDKA1 TOTAL DOM FIXED	45,659,825	1.75	1.57	0.65	4.67	7.40	8.83	8.86	8.06
CALPERS CUSTOM LEH LPF		1.89	1.38	0.43	4.81	7.24	6.95	8.56	7.73
INTERNATIONAL									
SJDCA1 TOTAL INTERNATIONAL FIXED INCOME	5,622,010	1.74	-0.28	0.86	-4.32	7.55	11.18	9.33	6.15
CALPERS WORLD GOVT EX US		1.76	-0.33	0.91	-4.70	7.11	10.53	9.07	5.41
CASH EQUIVALENTS									
SJVKA1 TOTAL CASH	1,159,487	0.29	0.81	0.56	1.91	2.56	1.78	2.82	4.32
CALPERS CUSTOM STIF NET OF FEES		0.30	0.82	0.57	1.87	2.43	1.58	2.49	4.00
ALTERNATIVE INVESTMENTS									
SJXKA1 AIM: PARTNERSHIP & DIRECT INVESTMENTS	9,321,311	2.36	1.93	1.93	16.56	20.61	9.07	0.53	12.66
SJAIM AIM COMPOSITE	9,415,403	2.37	2.13	2.05	16.39	21.34	9.24	0.18	
PERS WILSHIRE 2500/CYFU BLEND		1.27	3.87	2.56	10.64	15.64	5.49	-5.46	7.72
SW2V AIM DISTRIBUTION STOCK	94,092	2.07	14.55	8.52	9.71	44.19	25.25	-14.33	
REAL ESTATE									
SW3CA1 CORE REAL ESTATE	7,282,496	-0.07	10.39	0.08	22.08	31.49	15.34	14.91	13.53
SW7KA1 TOTAL NON-CORE REAL ESTATE	3,779,124	-0.48	4.11	0.73	15.40	25.88	17.91	11.39	12.30
NCREIF PROPERTY 1 QTR LAG INDEX		0.00	3.51	0.00	8.33	15.55	10.74	10.15	11.02

⁽¹⁾ SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank. Excludes MDP venture accounts in composites SW9C, SWDC.
Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.

This report prepared by State Street Bank

Investment Operations Report – August 31, 2005

Closed Session Transactions

- There was 1 (one) closed session transaction reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

Activity Reports – August 31, 2005

- Staff prepares activity reports for the AIM, Absolute Return Strategies and Opportunistic Real Estate Programs. Detailed reports and investment summaries for the AIM and Risk Managed Absolute Return Strategies are included in the supplemental reporting document. Opportunistic Real Estate Investments will be reported below as they occur.

AIM Activity Report

Activity	Month	2003	2004	2005 YTD	Since Inception
Investment Proposals Received	16	298	381	195	5660
Declined/Referred/Failed to Materialize	14	206	223	281	4444
Deals in Screening	106	298	397	196	2673
Due Diligence Reviews	26	25	65	39	485
Authorized Investments (\$ Millions)	\$1,440.0	\$995.0	\$1,697.5	3368	\$26,776.3

Risk Managed Absolute Return Strategies Program Activity Report

Activity	2003	2004	2005 YTD	Since Inception
Information Received	181	59	42	540
Rejections Recommended	108	11	0	234
Managers for Further Review	72	45	42	287
Due Diligence Reviews	1	5	9	30
Approved by ARS Board	1	5	9	28
Funded Investments (\$ Millions)	\$95	\$149	\$278	\$1,006

Opportunistic Real Estate Investments Activity Report

Activity	Month
Rockpoint GI Partners Fund II	August 2005

Annual and Quarterly Report – August 31, 2005

According to policy requirements, the following is summary information extracted from the annual and quarterly reports prepared for Investment Committee consideration. All reports are presented as of quarter ending June 30, 2005. Executive Summaries and Full Reports are available in the supplemental reporting document.

AIM Program Quarterly Report:

Portfolio Summary

- As of June, 2005, the AIM Program had 473 active commitments that totaled \$25.5 billion. Commitments to exited investments totaled \$1.7 billion, bringing since inception commitments to \$27.2 billion.
- Since inception, the AIM Program has made contributions of \$17.2 billion and received distributions of \$13.2 billion. Of the \$13.2 billion in distributions, \$7.2 billion represents realized gains, income and dividends. The Program has become self-funding. During the first half of 2005, distributions exceeded contributions by \$0.4 billion.
- Due to the young relative age of the AIM portfolio, a large amount of the committed capital has not been called. At June 30, 2005, 38% of the active capital commitments, or \$9.6 billion, remained unfunded.

Performance

- Fully realized investments have provided a since inception return of 17.9%. This represents a 1.6x return of contributed capital.
- As of June 30, 2005, the weighted average age of all of the current investments in the AIM portfolio was 3.8 years. Consequently, a large portion of the portfolio is in the early stage of its investment life, when payment of fees has not been offset by young investments that are held at cost. This is known as the J-Curve effect.
- To address the young age of the partnership portfolio, CalPERS adopted a short-term benchmark, the Venture Economics Custom Young Fund Universe. The benchmark measures performance of the AIM partnerships in the first five years of life against a similarly aged universe of Venture Economics data. As of June 30, 2005, the AIM young fund net internal rate of return ("IRR") was 13.4% which exceeded the preliminary estimate of the Custom Young Fund Universe median return of 1.0% by 1,240 basis points. The AIM Program is displaying solid returns for a young portfolio.
- Since inception to June 30, 2005, the AIM Program generated a net IRR of 11.1%. At June 30, 2005, the public market ten-year rolling average return for the CalPERS' Custom Wilshire 2500 Index was 9.8%. The public markets have been recovering over the past few quarters, but there is typically a lag in the valuations in the private market relative to those in the public markets.

Portfolio Activity

- 23 new commitments were authorized during the second quarter of 2005 for a total of \$2.5 billion.
- During the second quarter of 2005 the AIM Program received 82 investment opportunities. During the same period, GSA reviewed 115 investment opportunities on behalf of CEV I, II and III. Both the AIM Program and GSA may have reviewed some of the same opportunities.
- During the first half of 2005, the AIM Program contributed \$1,077.4 million to and received distributions of \$1,549.4 million from the underlying portfolio. Of the \$1,549.4 million in distributions, \$796.2 million represents income and realized gains.

Annual and Quarterly Report – August 31, 2005

CalPERS' Emerging Markets/Investments in Underserved Areas Annual Report:

ANALYSIS:

Under the CalPERS' Economically Targeted Investments Program Policy, Staff is directed to report annually to the Investment Committee the Fund's investment in underserved areas located in California. The policy adopted on October 15, 2001 has a stated goal of 2% of the total Fund's assets. A summary table of CalPERS' investments is provided as Attachment 1 in the Supplemental Reporting Document. All told, CalPERS' investments and commitments to underserved areas of California totaled \$4.880 billion, exceeding the stated goal by \$1.08 billion. These investments are summarized in Attachment 1 in the Supplemental Reporting Document and concentrated in the following three asset classes:

A. Real Estate

California Urban Real Estate

The CURE program is focused on addressing both the housing shortage as well as a lack of general development in urban infill locations throughout California. The program has 13 existing partners with a total of \$3.4 billion allocated primarily for California urban infill investments.

Senior Housing

Senior Housing Program was allocated \$275 million for investing in Assisted Living, Independent Living, and continuing Care Retirement Communities. \$40.40 million is committed to underserved areas.

AFL-CIO Building Investment Trust

The Building Investment Trust is a balanced fund that provides increased investment opportunities within targeted geographic areas. At the end of the first quarter, targeted California properties totaled \$24.8 million.

Single Family Housing

Since inception, the CalPERS Single Family Housing Program has funded the construction of approximately 45,000 homes in California, 21,000 of which are in the entry level price range. As of June 30, 2005, \$232.0 million or 43.5% of the total outstanding program capital for California was committed to entry level housing.

B. Alternative Investments

The AIM Program participates in underserved areas through 10 partnerships in the \$480 million California Initiative Program. In addition, the AIM unit participates in underserved areas through other fund commitments, and direct investments.

CalPERS' Emerging Markets/Investments in Underserved Areas (cont.)

C. Fixed Income

Member Home Loan Program (MHLP)

This program accounts for a large portion of Community Redevelopment Act (CRA) loans made to low to moderate income families. Through this program, \$275 million of loans were made and remain on CalPERS' balance sheet.

Home Equity Loans

The Fixed Income Staff purchased over \$18.9 million of home equity loans from underserved markets in California. The Fixed Income staff also purchased \$.4 million of multi-family housing mortgages in underserved markets.

Investment Transactions – July 31, 2005

Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

Portfolio Summary and Transactions Report:

- Purchases – Internal Management (Page 17)
- Sales – Internal Management (Page 18)
- Currency Hedge Portfolio Summary (Page 19)
- Currency Hedge Portfolio Transactions (Page 19)

Investment Transaction Information as of 07/31/2005: [\(full reporting is available in the supplemental reporting document\)](#)

- Fixed Income Transactions
 - Internal Domestic
 - External International and High Yield
 - Special Mortgage Investment Program Transactions
 - High Yield Performance
- Equity Summary & Transactions
 - Internal Domestic
 - Corporate Actions
 - External Domestic
 - External International
- Internal Programs
 - Closed Real Estate Transactions Summary
 - Dispositions Summaries
 - CalSmart – Bloomfield Building 7, CalPERS share \$1,477,121.00
 - CalSmart – Benicia Fleetside Business Center, CalPERS share \$303,600.00
 - CalSmart – Bloomfield Building 4, CalPERS share \$2,416,573.00
 - U.S.R.P. – Edgewater Plaza, CalPERS share \$22,468,167.00
 - CalSmart – Bloomfield Building 6, CalPERS share \$1,023,042.00
 - RREEF – 3451 Jupiter Court, CalPERS share \$3,633,079.00
 - GID – Windsor at Promenade Oaks, CalPERS share \$37,267,335.00
 - GID – Windsor at Polo Run, CalPERS share \$37,331,700.00
 - GID – Regency Woods, CalPERS share \$28,844,544.00
 - GID – Windsor at Eden Place, CalPERS share \$44,487,347.00
 - GID – Windsor at Lake Coral Springs, CalPERS share \$62,648,600.00
 - Acquisition Summaries
 - CalPERS Internal – R Street – 1801 3rd Street, CalPERS share \$2,565,000.00
 - CalPERS Internal – R Street – R Street Plaza, CalPERS share \$8,414,750.00
 - Buchanan – Thunderbird Ranch Apartments, CalPERS share \$9,162,112.00
 - La Salle – 4301 West Mohave Street, CalPERS share \$14,063,972.00
 - AIM Program Transactions
 - Summary Listing of Capital Calls and Aggregate Distributions

Investment Transactions – July 31, 2005

Investment Transaction Information as of 07/31/2005 (continued): [\(full reporting is available in the supplemental reporting document\)](#)

- AIM Program Investments Completed under Delegation of Authority
 - Investment Summaries
 - Birch Hill Equity Partners III, L.P. \$135 million CAD commitment.
 - ICV Partners II, L.P. \$25 million commitment.
 - Pinnacle Ventures II, L.P. \$50 million commitment.
 - WLR Recovery Fund III, L.P. \$200 million commitment.
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
 - Investment Summaries
 - No items to report

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

July 31, 2005

PURCHASES

INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>ANNUALIZED YIELD</u>	<u>%OF LONG TERM PURCHASES</u>
<u>ALTERNATIVE INVESTMENTS:</u>				
Partnership Component	197.3	\$199.3	N/A	2.13%
<u>BONDS:</u>				
Utilities & Industrials	316.0	\$317.7	5.84%	3.40%
Sovereign	<u>16.7</u>	<u>18.3</u>	4.94%	<u>0.20%</u>
Total	332.7	\$336.0		3.59%
<u>GOVERNMENTS:</u>				
U.S. Agencies & Treasuries	1,301.4	\$1,366.1	3.15%	14.61%
<u>MORTGAGE SECURITIES:</u>				
Pass-Through	1,693.0	\$1,693.8	5.18%	18.11%
CMO	<u>0.0</u>	<u>0.0</u>	<u>0.00%</u>	<u>0.00%</u>
Total	1,693.0	\$1,693.8		18.11%
<u>EQUITIES:</u>				
Common Stock		\$2,276.5	N/A	24.34%
EXTERNAL MANAGEMENT				
<u>EQUITIES AND FIXED INCOME:</u>				
International Common Stock		\$1,550.0	N/A	16.57%
Domestic Common Stock		1,265.0	N/A	13.53%
International Fixed Income		<u>665.5</u>	N/A	<u>7.12%</u>
Total		\$3,480.5		37.22%
TOTAL PURCHASES:		\$9,352.2		100%

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

July 31, 2005

SALES

INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ LOSS</u>
<u>ALTERNATIVE INVESTMENTS:</u>				
Partnership Component	0.1	\$1.3	\$1.3	\$0.0
<u>BONDS:</u>				
Utilities & Industrials	7.5	\$7.7	\$8.3	\$0.7
Sovereign	<u>22.8</u>	<u>23.5</u>	<u>24.8</u>	<u>1.3</u>
Total	30.3	\$31.1	\$33.1	\$2.0
<u>GOVERNMENTS:</u>				
U.S. Agencies & Treasuries	1,052.2	\$1,105.0	\$1,117.0	\$12.0
<u>MORTGAGE SECURITIES:</u>				
Pass-Through	1,200.0	\$1,198.8	\$1,195.6	(\$3.2)
CMO	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>\$0.0</u>
Total	1,200.0	\$1,198.8	\$1,195.6	(\$3.2)
<u>EQUITIES:</u>				
Common Stock		\$793.8	\$886.0	\$92.2
EXTERNAL MANAGEMENT				
<u>EQUITIES AND FIXED INCOME:</u>				
International Common Stock		\$1,293.6	\$1,357.3	\$63.7
Domestic Common Stock		2,424.1	2,630.4	206.2
International Fixed Income		<u>643.7</u>	<u>637.1</u>	(6.6)
Total		\$4,361.4	\$4,624.7	\$263.3
TOTAL SALES:		\$7,491.5	\$7,857.8	\$366.3

Portfolio Summary and Transactions

CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

July 31, 2005

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$905.4	\$885.6
Total FX Sold	\$8,737.6	\$8,401.1

CURRENCY OPTIONS

Currency Puts	\$252.1	\$252.1
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"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

July 31, 2005

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$2,822.2

<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$2,829.8

Affiliate Funds Report- August 31, 2005

Staff has compiled the following investment transaction and portfolio summary reports prepared by the Custodian for the Affiliate Funds for the month ending August 31, 2005.

Affiliate Funds Allocation and Transaction Reports: [\(full reporting is available in the supplemental reporting document\)](#)

Legislators' Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
AFFILIATE TIPS	\$138,645,791.00	51.144	\$139,086,189.00	50.255
LEG-INTERNATIONAL - SSGA	\$9,039,477.00	3.335	\$13,926,975.00	5.032
LEGISTRATORS RETIREMENT TOTAL FUND	\$123,404,023.00	45.522	\$123,746,164.00	44.713
TOTAL	<u>\$271,089,291.00</u>	100.000	<u>\$276,759,328.00</u>	100.000

Judges' Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
JUD-INTERNAL SHORT TERM - CALPERS	\$34,656.00	100.000	\$34,656.00	100.000
TOTAL	<u>\$34,656.00</u>	100.000	<u>\$34,656.00</u>	100.000

Affiliate Funds Report- August 31, 2005

Judges II Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
JUDGES II - INTERNATIONAL - SSGA	\$21,554,929.00	13.794	\$33,887,070.00	19.959
JUDGES II TOTAL FUND	\$134,711,662.00	86.206	\$135,898,117.00	80.041
TOTAL	<u>\$156,266,591.00</u>	100.000	<u>\$169,785,187.00</u>	100.000

Public Employees' Medical & Hospital Care Act Contingency Reserve Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
CRF INTERNAL SHORT TERM - CALPERS	\$6,701,629.00	100.000	\$6,701,629.00	100.000
TOTAL	<u>\$6,701,629.00</u>	100.000	<u>\$6,701,629.00</u>	100.000

Volunteer Firefighters Length of Service Award Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
VFF-INTERNAL SHORT TERM - CALPERS	\$2,613,027.00	100.000	\$2,678,118.00	100.000
TOTAL	<u>\$2,613,027.00</u>	100.000	<u>\$2,678,118.00</u>	100.000

Affiliate Funds Report- August 31, 2005

Supplemental Contribution Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
SCP TOTAL FUND	\$16,680,181.00	85.311	\$16,997,697.00	80.137
SUPPLEMENTAL CONTRIBUTION - INTL EQUITY	\$2,872,124.00	14.689	\$4,213,112.00	19.863
TOTAL	<u>\$19,552,305.00</u>	100.000	<u>\$21,210,809.00</u>	100.000

Self Fund Health Care:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
SELF FUND HEALTH - CALPERS	\$90,758,790.00	100.000	\$90,655,645.00	100.000
TOTAL	<u>\$90,758,790.00</u>	100.000	<u>\$90,655,645.00</u>	100.000